

PANOLA COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2010

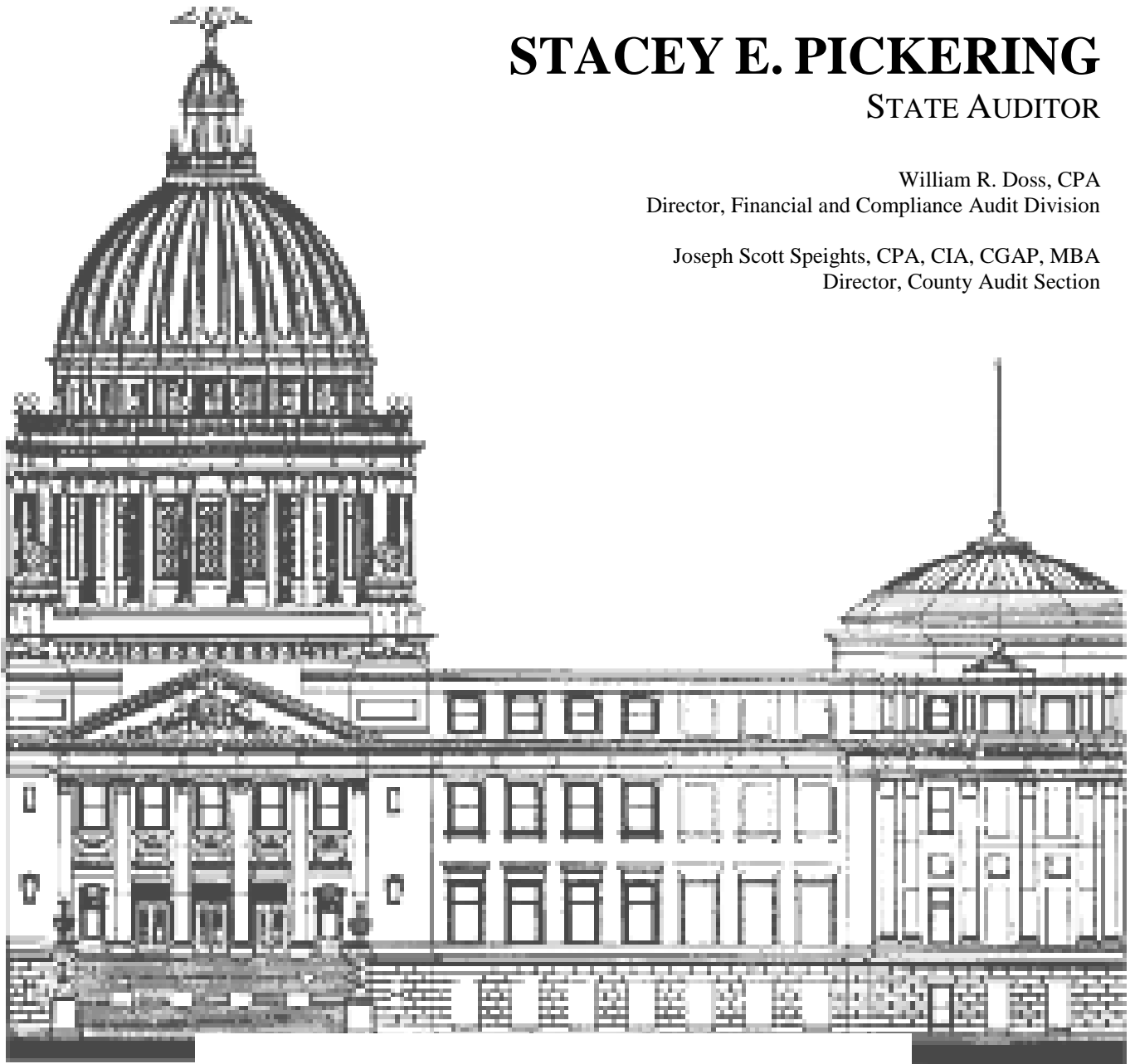


STACEY E. PICKERING

STATE AUDITOR

William R. Doss, CPA
Director, Financial and Compliance Audit Division

Joseph Scott Speights, CPA, CIA, CGAP, MBA
Director, County Audit Section



A Report from the County Audit Section

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

April 13, 2012

Members of the Board of Supervisors
Panola County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2010 financial and compliance audit report for Panola County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

I appreciate the cooperation and courtesy extended by the officials and employees of Panola County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Panola County. If I or this office can be of any further assistance, please contact me or J. Scott Speights of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering", is written over a horizontal line.

Stacey E. Pickering
State Auditor

PANOLA COUNTY
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PANOLA COUNTY

FINANCIAL SECTION

PANOLA COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Panola County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Panola County, Mississippi, as of and for the year ended September 30, 2010, which collectively comprise the basic financial statements of the county's primary government as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements do not include financial data for the county's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. The county has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, liabilities, net assets, revenues and expenses of the aggregate discretely presented component units is not reasonably determinable.

In our opinion, because of the omission of the discretely presented component units, as discussed previously, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of Panola County, Mississippi, as of September 30, 2010, or the changes in financial position thereof for the year then ended.

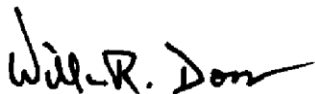
In addition, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Panola County, Mississippi, as of September 30, 2010, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 13, 2012 on our consideration of Panola County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Panola County, Mississippi, has not presented Management's Discussion and Analysis that is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

The Budgetary Comparison Schedules and corresponding notes are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Panola County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Will R. Dooss".

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

April 13, 2012

PANOLA COUNTY

FINANCIAL STATEMENTS

PANOLA COUNTY

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PANOLA COUNTY
Statement of Net Assets
September 30, 2010

Exhibit 1

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
ASSETS			
Cash	\$ 8,856,106	160,671	9,016,777
Investments	4,132,804	100,000	4,232,804
Restricted assets - cash	4,345,584		4,345,584
Property tax receivable	8,333,990		8,333,990
Accounts receivable (net of allowance for uncollectibles of \$4,319,011)		185,476	185,476
Fines receivable (net of allowance for uncollectibles of \$2,081,828)	85,844		85,844
Loans receivable	819,500		819,500
Intergovernmental receivables	326,520		326,520
Other receivables	151,208		151,208
Internal balances	499,659	(499,659)	0
Deferred charges - bond issuance costs	216,054		216,054
Capital assets:			
Land and construction in progress	2,584,394		2,584,394
Other capital assets, net	49,235,642	1,124,340	50,359,982
Total Assets	<u>79,587,305</u>	<u>1,070,828</u>	<u>80,658,133</u>
LIABILITIES			
Claims payable	1,062,708	70,458	1,133,166
Intergovernmental payables	1,028,578		1,028,578
Accrued interest payable	188,612		188,612
Deferred revenue	8,333,990		8,333,990
Unearned revenue		57,566	57,566
Other payables	129,700		129,700
Long-term liabilities			
Due within one year:			
Capital debt	1,191,642	315,148	1,506,790
Non-capital debt	600,000		600,000
Due in more than one year:			
Capital debt	6,509,683	614,239	7,123,922
Non-capital debt	5,858,654	17,202	5,875,856
Total Liabilities	<u>24,903,567</u>	<u>1,074,613</u>	<u>25,978,180</u>
NET ASSETS			
Invested in capital assets, net of related debt	44,118,711	194,953	44,313,664
Restricted:			
Expendable:			
General government	560,542		560,542
Debt service	524,964		524,964
Public safety	1,117,936		1,117,936
Public works	3,012,903		3,012,903
Health and welfare	372,208		372,208
Economic development	5,241,216		5,241,216
Unemployment compensation	25,591		25,591
Unrestricted	(290,333)	(198,738)	(489,071)
Total Net Assets	<u>\$ 54,683,738</u>	<u>(3,785)</u>	<u>54,679,953</u>

The notes to the financial statements are an integral part of this statement.

PANOLA COUNTY
Statement of Activities
For the Year Ended September 30, 2010

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 4,411,821	1,111,779			(3,300,042)		(3,300,042)
Public safety	5,802,799	722,732	560,457		(4,519,610)		(4,519,610)
Public works	4,669,301		1,219,944	912,659	(2,536,698)		(2,536,698)
Health and welfare	706,523		220,631		(485,892)		(485,892)
Culture and recreation	1,903				(1,903)		(1,903)
Conservation of natural resources	93,608				(93,608)		(93,608)
Economic development and assistance	146,273				(146,273)		(146,273)
Interest on long-term debt	448,835				(448,835)		(448,835)
Total Governmental Activities	<u>16,281,063</u>	<u>1,834,511</u>	<u>2,001,032</u>	<u>912,659</u>	<u>(11,532,861)</u>		<u>(11,532,861)</u>
Business-type activities:							
Solid Waste	<u>1,665,036</u>	<u>1,568,396</u>	<u>12,637</u>			<u>(84,003)</u>	<u>(84,003)</u>
Total Business-type Activities	<u>1,665,036</u>	<u>1,568,396</u>	<u>12,637</u>			<u>(84,003)</u>	<u>(84,003)</u>
Total Primary Government	<u>\$ 17,946,099</u>	<u>3,402,907</u>	<u>2,013,669</u>	<u>912,659</u>	<u>(11,532,861)</u>	<u>(84,003)</u>	<u>(11,616,864)</u>
General revenues:							
Property taxes					\$ 11,219,756		11,219,756
Road & bridge privilege taxes					389,412		389,412
Grants and contributions not restricted to specific programs					1,358,988		1,358,988
Unrestricted interest income					187,316	3,563	190,879
Miscellaneous					1,370,334	88,275	1,458,609
Transfers					<u>55,439</u>		<u>55,439</u>
Total General Revenues and Transfers					<u>14,581,245</u>	<u>91,838</u>	<u>14,673,083</u>
Changes in Net Assets					<u>3,048,384</u>	<u>7,835</u>	<u>3,056,219</u>
Net Assets - Beginning, as previously reported					51,291,311	(174,461)	51,116,850
Fund reclassification					46,084		46,084
Prior period adjustments					297,959	162,841	460,800
Net Assets - Beginning, as restated					<u>51,635,354</u>	<u>(11,620)</u>	<u>51,623,734</u>
Net Assets - Ending					<u>\$ 54,683,738</u>	<u>(3,785)</u>	<u>54,679,953</u>

The notes to the financial statements are an integral part of this statement.

PANOLA COUNTY
Balance Sheet - Governmental Funds
September 30, 2010

Exhibit 3

	Major Funds				
	General	GE Expansion	Countywide Road	Other	Total
	Fund	Fund	Maintenance	Governmental	Governmental
			Fund	Funds	Funds
ASSETS					
Cash	\$ 4,524,587		1,336,885	2,994,634	8,856,106
Investments	1,510,000		300,000	2,322,804	4,132,804
Restricted assets - cash		3,965,264		380,320	4,345,584
Property tax receivable	4,962,678		1,065,321	2,305,991	8,333,990
Fines receivable (net of allowance for uncollectibles of \$2,081,828)	85,844				85,844
Loans receivable				819,500	819,500
Intergovernmental receivables	103,889			222,631	326,520
Other receivables	2,763				2,763
Due from other funds	308,184		75,240	140,213	523,637
Advances to other funds	1,251,047		14,010	540,340	1,805,397
Total Assets	\$ 12,748,992	3,965,264	2,791,456	9,726,433	29,232,145
LIABILITIES AND FUND BALANCES					
Liabilities:					
Claims payable	\$ 394,924		320,948	346,836	1,062,708
Intergovernmental payables	779,683			198,136	977,819
Due to other funds	266,212			308,184	574,396
Advances from other funds	104,945		848,688	203,660	1,157,293
Deferred revenue	5,048,522		1,065,321	2,305,991	8,419,834
Other payables	72,229		50	57,421	129,700
Total Liabilities	6,666,515	0	2,235,007	3,420,228	12,321,750
Fund balances:					
Reserved for:					
Debt service				713,576	713,576
Loans receivable				819,500	819,500
Advances	1,251,047		14,010	540,340	1,805,397
Unemployment compensation				25,591	25,591
Unreserved - undesignated, reported in:					
General Fund	4,831,430				4,831,430
Special Revenue Funds		3,965,264	542,439	4,207,198	8,714,901
Total Fund Balances	6,082,477	3,965,264	556,449	6,306,205	16,910,395
Total Liabilities and Fund Balances	\$ 12,748,992	3,965,264	2,791,456	9,726,433	29,232,145

The notes to the financial statements are an integral part of this statement.

PANOLA COUNTY

Exhibit 3-1

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets

September 30, 2010

Amount

Total Fund Balance - Governmental Funds

\$ 16,910,395

Amounts reported for governmental activities in the Statement of Net Assets
are different because:

Capital assets are used in governmental activities and are not financial resources and,
therefore, are not reported in the funds, net of accumulated depreciation of \$79,942,365.

51,820,036

Other long-term assets are not available to pay for current period expenditures and,
therefore, are deferred in the funds.

Fines receivable

85,844

Deferred charges - bond issuance costs

216,054

Long-term liabilities are not due and payable in the current period and,
therefore, are not reported in the funds.

(14,159,979)

Accrued interest payable is not due and payable in the current period and,
therefore, is not reported in the funds.

(188,612)

Total Net Assets - Governmental Activities

\$ 54,683,738

The notes to the financial statements are an integral part of this statement.

PANOLA COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

For the Year Ended September 30, 2010

	Major Funds			Other	Total
	General	GE Expansion	Countywide Road	Governmental	Governmental
	Fund	Fund	Maintenance	Funds	Funds
			Fund		
REVENUES					
Property taxes	\$ 6,860,036		1,414,660	2,945,060	11,219,756
Road and bridge privilege taxes	3,997		385,415		389,412
Licenses, commissions and other revenue	496,818			10,161	506,979
Fines and forfeitures	585,139			87,127	672,266
Intergovernmental revenues	1,091,245		1,677,150	1,508,006	4,276,401
Charges for services	313,661			335,711	649,372
Interest income	78,093	29,549	15,231	64,443	187,316
Miscellaneous revenues	893,264		78,344	327,324	1,298,932
Total Revenues	10,322,253	29,549	3,570,800	5,277,832	19,200,434
EXPENDITURES					
Current:					
General government	4,093,122			92,393	4,185,515
Public safety	4,523,691			1,247,726	5,771,417
Public works	73,053		3,348,482	1,825,175	5,246,710
Health and welfare	294,552			286,440	580,992
Culture and recreation				1,903	1,903
Conservation of natural resources	92,049				92,049
Economic development and assistance	143,501	64,285		4,332	212,118
Debt service:					
Principal	302,293		190,896	1,189,234	1,682,423
Interest	215,100		25,016	211,814	451,930
Total Expenditures	9,737,361	64,285	3,564,394	4,859,017	18,225,057
Excess of Revenues over (under) Expenditures	584,892	(34,736)	6,406	418,815	975,377
OTHER FINANCING SOURCES (USES)					
Long-term capital debt issued			260,666		260,666
Long-term non-capital debt issued		4,000,000			4,000,000
Proceeds from sale of capital assets	43,253		42,025	5,400	90,678
Transfers in	82,039		379,133	660,841	1,122,013
Transfers out	(592,359)			(474,215)	(1,066,574)
Total Other Financing Sources and Uses	(467,067)	4,000,000	681,824	192,026	4,406,783
Net Changes in Fund Balances	117,825	3,965,264	688,230	610,841	5,382,160
Fund Balances - Beginning, as previously reported	6,168,251		(131,781)	4,606,116	10,642,586
Fund reclassification	(257,746)			303,830	46,084
Prior period adjustments	54,147			785,418	839,565
Fund Balances - Beginning, as restated	5,964,652	0	(131,781)	5,695,364	11,528,235
Fund Balances - Ending	\$ 6,082,477	3,965,264	556,449	6,306,205	16,910,395

The notes to the financial statements are an integral part of this statement.

PANOLA COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2010

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 5,382,160
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays of \$2,006,876 exceeded depreciation of \$1,523,545 in the current period.	483,331
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net loss of \$17,396 and the proceeds from the sale of \$90,678 in the current period.	(108,074)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	5,894
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt proceeds of \$4,260,666 exceeded debt repayments of \$1,682,423.	(2,578,243)
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
Change in deferred charges - bond issuance costs	51,954
Change in accrued interest payable	(111,581)
Change in compensated absences	(77,086)
Other	<u>29</u>
Change in Net Assets of Governmental Activities	\$ <u><u>3,048,384</u></u>

The notes to the financial statements are an integral part of this statement.

PANOLA COUNTY
Statement of Net Assets - Proprietary Fund
September 30, 2010

Exhibit 5

	<u>Enterprise Fund</u> <u>Solid Waste</u> <u>Fund</u>
ASSETS	
Current assets:	
Cash	\$ 160,671
Investments	100,000
Accounts receivable (net of allowance for uncollectibles of \$4,319,011)	185,476
Advances to other funds	167,000
Total Current Assets	<u>613,147</u>
Noncurrent assets:	
Capital assets:	
Other capital assets, net	1,124,340
Total Noncurrent Assets	<u>1,124,340</u>
Total Assets	<u>1,737,487</u>
LIABILITIES	
Current liabilities:	
Claims payable	70,458
Advances from other funds	666,659
Unearned revenue	57,566
Capital debt:	
Capital leases payable	315,148
Total Current Liabilities	<u>1,109,831</u>
Noncurrent liabilities:	
Capital debt:	
Capital leases payable	614,239
Non-capital debt:	
Compensated absences payable	17,202
Total Noncurrent Liabilities	<u>631,441</u>
NET ASSETS	
Invested in capital assets, net of related debt	194,953
Unrestricted	<u>(198,738)</u>
Total Net Assets	<u>\$ (3,785)</u>

The notes to the financial statements are an integral part of this statement.

PANOLA COUNTY

Exhibit 6Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Fund
For the Year Ended September 30, 2010

	Business-type Activities - Enterprise Fund
	<u>Solid Waste Fund</u>
Operating Revenues	
Charges for services	\$ 1,568,396
Total Operating Revenues	<u>1,568,396</u>
Operating Expenses	
Personal services	501,302
Contractual services	412,224
Materials and supplies	461,997
Depreciation expense	273,830
Total Operating Expenses	<u>1,649,353</u>
Operating Income (Loss)	<u>(80,957)</u>
Nonoperating Revenues (Expenses)	
Interest income	3,563
Intergovernmental grants	12,637
Gain on sale of capital assets	83,019
Interest expense	(15,683)
Other income	5,256
Net Nonoperating Revenue (Expenses)	<u>88,792</u>
Net Income	<u>7,835</u>
Changes in Net Assets	<u>7,835</u>
Net Assets - Beginning, as previously reported	(174,461)
Prior period adjustments	162,841
Net Assets - Beginning, as restated	<u>(11,620)</u>
Net Assets - Ending	\$ <u><u>(3,785)</u></u>

The notes to the financial statements are an integral part of this statement.

PANOLA COUNTY
Statement of Cash Flows - Proprietary Fund
For the Year Ended September 30, 2010

Exhibit 7

Business-type
Activities -
Enterprise Fund

Solid Waste
Fund

Cash Flows From Operating Activities	
Receipts from customers	\$ 1,626,694
Payments to suppliers	(877,464)
Payments to employees	(489,379)
Net Cash Provided (Used) by Operating Activities	<u>259,851</u>
Cash Flows From Noncapital Financing Activities	
Intergovernmental grants received	12,637
Other receipts	5,256
Net Cash Provided (Used) by Noncapital Financing Activities	<u>17,893</u>
Cash Flows From Capital and Related Financing Activities	
Proceeds from sale of capital assets	351,579
Acquisition and construction of capital assets	(129,342)
Principal paid on long-term debt	(531,511)
Interest paid on debt	(15,683)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(324,957)</u>
Cash Flows From Investing Activities	
Proceeds from sale and maturities of investments	100,000
Interest on investments	3,563
Purchase of investment securities	(200,000)
Net Cash Provided (Used) by Investing Activities	<u>(96,437)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(143,650)
Cash and Cash Equivalents at Beginning of Year	<u>304,321</u>
Cash and Cash Equivalents at End of Year	<u><u>160,671</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	(80,957)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	273,830
Provision for uncollectible accounts	27,305
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(26,573)
Increase (decrease) in claims payable	2,148
Increase (decrease) in compensated absences liability	6,532
Increase (decrease) in unearned revenue	57,566
Total Adjustments	<u>340,808</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 259,851</u></u>

Noncash Capital Financing Activity:

Panola County lease purchased mobile equipment for \$644,931 for 5 years at 3.18% interest.
Principal payments of \$42,224 were made on the lease during the year.

The notes to the financial statements are an integral part of this statement.

PANOLA COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2010

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 342,537
Due from other funds	<u>50,759</u>
Total Assets	<u>\$ 393,296</u>
LIABILITIES	
Intergovernmental payables	244,851
Advances from other funds	<u>148,445</u>
Total Liabilities	<u>\$ 393,296</u>

The notes to the financial statements are an integral part of this statement.

PANOLA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Panola County is a political subdivision of the State of Mississippi. The county is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Panola County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the county.

Management has chosen to omit from these financial statements the following component units which have significant operational or financial relationships with the county. Accordingly, the financial statements do not include the data of all of the county's component units necessary for reporting in conformity with accounting principles generally accepted in the United States of America.

- Bynum Fire District
- Cole's Point Fire District
- Curtis Fire Department
- Mt. Olivett Fire Department
- Sardis Lower Lake Fire District
- Pope Volunteer Fire District
- Pleasant Grove Fire District
- Union Fire District
- North Panola Utility District
- Longtown Fire District
- Long Creek Sewer District

State law pertaining to county government provides for the independent election of county officials. The following elected and appointed officials are all part of the county legal entity and therefore are reported as part of the primary government financial statements.

- Board of Supervisors
- Chancery Clerk
- Circuit Clerk
- Justice Court Clerk
- Purchase Clerk
- Tax Assessor-Collector
- Sheriff

B. Individual Component Unit Disclosures.

Blended Component Units

Certain component units, although legally separate from the primary government, are nevertheless so intertwined with the primary government that they are, in substance, the same as the primary government. Therefore, these component units are reported as if they are part of the primary government. The following component units' balances and transactions are blended with the balances and transactions of the primary government.

The Panola County Civic Improvement Corporation is comprised solely of the five members of the Board of Supervisors. Although it is legally separate from the county, the corporation is reported as if it were part of the primary government because its sole purpose is to finance and construct the county's new jail building.

PANOLA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

The Panola County Industrial Authority is a legally separate entity, organized by a local and private bill to provide for land acquisitions and improvements for industrial development purposes. Its five-member board of commissioners is appointed by the Board of Supervisors.

The Panola County Economic Development District is comprised solely of the five members of the Board of Supervisors. Although it is legally separate from the county, the corporation is reported as if it were part of the primary government because its sole purpose is to finance a substation for industries in the county.

C. Basis of Presentation.

The county's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information concerning the county as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support.

The Statement of Net Assets presents the financial condition of the governmental activities and business-type activities of the county at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the county's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues, are presented as general revenues of the county, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business-type activity or governmental function is self-financing or draws from the general revenues of the county.

Fund Financial Statements:

Fund financial statements of the county are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into governmental, proprietary and fiduciary. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

D. Measurement Focus and Basis of Accounting.

The Government-wide, Proprietary Funds and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the county. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

PANOLA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

The county's Proprietary Funds apply all applicable Governmental Accounting Standards Board (GASB) pronouncements and only the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

The revenues and expenses of Proprietary Funds are classified as operating or nonoperating. Operating revenues and expenses generally result from providing services in connection with a Proprietary Fund's primary operations. All other revenues and expenses are reported as nonoperating.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The county reports the following major Governmental Funds:

General Fund - This fund is used to account for all activities of the general government for which a separate fund has not been established.

Countywide Road Maintenance Fund - This fund is used to account for monies from specific revenue sources that are restricted for road maintenance.

GE Expansion Fund - This fund is used to account for the bond proceeds and related expenditures for the GE expansion capital project.

The county reports the following major Proprietary Fund:

Solid Waste Fund - This fund is used to account for the county's activities of disposal of solid waste within the county.

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Special Revenue Funds account for, among others, certain federal grant programs, taxes levied with statutorily defined distributions and other resources restricted as to purpose.

Debt Service Funds - These funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

PROPRIETARY FUND TYPE

Enterprise Funds - These funds are used to account for those operations that are financed and operated in a manner similar to private business enterprises or where the county has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability.

PANOLA COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2010

FIDUCIARY FUND TYPE

Agency Funds - These funds account for various taxes, deposits and other monies collected or held by the county, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

E. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2005 by the Government Finance Officers Association.

F. Deposits and Investments.

State law authorizes the county to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the county may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the county did not invest in any governmental securities during the fiscal year.

G. Receivables.

Receivables are reported net of allowances for uncollectible accounts, where applicable.

H. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable Governmental Funds to indicate that they are not available for appropriation and are not expendable available financial resources. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

I. Restricted Assets.

Assets required to be held and/or used as specified in bond indentures, bond resolutions, trustee agreements, board resolutions and donor specifications have been reported as restricted assets. Restricted assets reflect proceeds received from the Panola County Jail Project Certificates of Participation less amounts paid on construction commitments and proceeds from the General Obligation GE Project Bonds less bond issue costs. When both restricted and nonrestricted assets are available for use, the policy is to use restricted assets first.

PANOLA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

J. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the applicable governmental or business-type activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Capital assets acquired or constructed for Proprietary Fund operations are capitalized at cost in the respective funds in which they are utilized. No interest is capitalized on self-constructed assets because noncapitalization of interest does not have a material effect on the county's financial statements. Donated capital assets are recorded at their fair value at the time of donation.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements and Proprietary Funds. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives:

	Capitalization Thresholds	Estimated Useful Life
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

* Leased property capitalization policy and estimated useful life will correspond with the amounts for the asset classification, as listed above.

K. Long-term Liabilities.

Long-term liabilities are the unmatured principal of bonds, loans, notes or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments.

In the government-wide financial statements and in the Proprietary Fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or Proprietary Funds Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, Governmental Fund Types recognize bond issuance costs during the current period. The face amount of the debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

PANOLA COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2010

L. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvement of those assets.

Restricted net assets - Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net assets - All other net assets not meeting the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is classified as reserved or unreserved with unreserved classified as designated and undesignated.

Unreserved fund balance represents the amount available for budgeting future operations. Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose.

M. Property Tax Revenues.

Numerous statutes exist under which the Board of Supervisors may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the county. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Board of Supervisors, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectibility criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

N. Intergovernmental Revenues in Governmental Funds.

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

PANOLA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

O. Compensated Absences.

The county has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements and Proprietary Funds financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

(2) Fund Reclassification.

The Ambulance Fund's beginning fund balance of \$46,084 was reclassified from Agency Funds to Other Governmental Funds.

The Narcotics Task Force Fund's beginning fund balance of \$74,873 was reclassified from General Fund to Other Governmental Funds.

The Unemployment Compensation Fund's beginning fund balance of \$25,315 was reclassified from General Fund to Other Governmental Funds.

The N P Hospital Sale Fund's beginning fund balance of \$157,558 was reclassified from General Fund to Other Governmental Funds.

(3) Prior Period Adjustments.

A summary of significant fund equity adjustments is as follows

Exhibit 2 - Statement of Activities.

Explanation	Amount
Governmental Activities:	
To correct beginning cash balances	\$ 25,314
To correct intergovernmental receivables	(5,249)
To correct errors in capital assets, net	277,894
Total prior period adjustments	\$ <u>297,959</u>
Business-type Activities:	
To correct errors in capital assets, net	\$ 64,167
To correct capital lease payable balance	98,674
Total prior period adjustments	\$ <u>162,841</u>

Exhibit 4 - Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds

Explanation	Amount
To correct beginning cash balances	\$ 25,314
To correct intergovernmental receivables	(5,249)
To record loan receivable balance	819,500
Total prior period adjustments	\$ <u>839,565</u>

PANOLA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

Exhibit 6 - Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds.

Explanation	Amount
To correct error in capital assets, net	\$ 64,167
To correct capital lease payable balance	98,674
Total prior period adjustments	\$ 162,841

(4) Deposits and Investments.

Deposits:

The carrying amount of the county's total deposits with financial institutions at September 30, 2010, was \$13,704,898, and the bank balance was \$13,853,273. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the county will not be able to recover deposits or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the county. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the county.

Investments:

Investments balances at September 30, 2010, are as follows:

Investment Type	Maturities	Fair Value	Rating
Certificates of Deposit	4-12 mos.	\$ 4,232,804	None

Interest Rate Risk. The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, Section 19-9-29, Miss. Code Ann. (1972) limits the maturity period of any investment to no more than one year.

Credit Risk. State law limits investments to those authorized by Sections 19-9-29 and 91-13-8, Miss. Code Ann. (1972). The county does not have a formal investment policy that would further limit its investments choices or one that addresses credit risk.

Custodial Credit Risk - Investments. Custodial credit risk is the risk that in the event of the failure of the counterparty, the county will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the county. Bank certificates of deposit above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the county.

PANOLA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

(5) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2010:

A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
General	Other Governmental Funds	\$ 308,184
Countywide Road Maintenance	General	75,240
Other Governmental Funds	General	140,213
Agency Funds	General	50,759
Total		\$ 574,396

The receivables represent the tax revenues and court revenues collected but not settled until October, 2010 as well as funds paid to various funds to alleviate funding shortages. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances from/to Other Funds:

Receivable Fund	Payable Fund	Amount
General	Countywide Road Maintenance	\$ 661,658
General	Solid Waste	312,649
General	Other Governmental Funds	168,295
General	Agency Funds	108,445
Countywide Road Maintenance	Solid Waste	14,010
Other Governmental Funds	General	104,945
Other Governmental Funds	Countywide Road Maintenance	20,030
Other Governmental Funds	Solid Waste	340,000
Other Governmental Funds	Other Governmental Funds	35,365
Other Governmental Funds	Agency Funds	40,000
Solid Waste	Countywide Road Maintenance	167,000
Total		\$ 1,972,397

These balances represent funds advanced to various funds to alleviate funding shortages. All interfund balances are not expected to be repaid within one year from the date of the financial statements.

C. Transfers In/Out:

Transfer In	Transfer Out	Amount
General Fund	Other Governmental Funds	\$ 26,600
General Fund	Agency Funds	55,439
Countywide Road Maintenance Fund	Other Governmental Funds	379,133
Other Governmental Funds	General Fund	592,359
Other Governmental Funds	Other Governmental Funds	68,482
Total		\$ 1,122,013

The principal purpose of interfund transfers was to correct posting errors, transfer excess funds in closed accounts and to transfer interest earned in agency funds. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

PANOLA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

(6) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2010, consisted of the following:

Description	Amount
Governmental Activities:	
Legislative tag credit	\$ 103,889
Community development block grants	72,223
Disaster grants – public assistance	112,780
Edward Byrne memorial justice assistance grant program	20,257
Public safety interoperable communications grant	2,478
Homeland security grant program	14,893
Total Governmental Activities	\$ <u>326,520</u>

(7) Restricted Assets.

Restricted assets reflect proceeds received from the Panola County Jail Project Certificates of Participation less amounts paid on construction commitments. Cash in the amount of \$380,320 is held in trust with a fiscal agent.

Restricted assets reflect proceeds from the General Obligation GE Project Bonds in the amount of \$4,000,000 plus interest of \$29,549 less prepaid bond issue cost of \$64,285. Proceeds from the bond issue are to be used for a future one-time rental payment to Tallahatchie Valley Electric Power Association to facilitate the construction of an electric power substation to serve the GE Expansion project.

(8) Loans Receivable.

Loans receivable balances at September 30, 2010, are as follows:

Description	Date of Loan	Interest Rate	Maturity Date	Receivable Balance
Batesville Apartment Homes IV, LLC	08/16/2006	1%	08/18/2056	\$ <u>819,500</u>

(9) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2010:

Governmental activities:

	Balance Oct. 1, 2009	Additions	Deletions	Adjustments*	Balance Sept. 30, 2010
Non-depreciable capital assets:					
Land	\$ 1,341,774		6,600	36,000	1,371,174
Construction in progress	1,057,822	912,659		(757,261)	1,213,220
Total non-depreciable capital assets	2,399,596	912,659	6,600	(721,261)	2,584,394
Depreciable capital assets:					
Infrastructure	104,684,009	217,863		757,261	105,659,133
Buildings	12,122,707	23,303	57,000	175,125	12,264,135
Improvements other than buildings	1,246,110	155,911		106,811	1,508,832
Mobile equipment	2,883,502	300,631	579,018	1,534,109	4,139,224
Furniture and equipment	962,000	135,843	47,542	(5,062)	1,045,239
Leased property under capital leases	6,518,687	260,666	130,901	(2,087,008)	4,561,444
Total depreciable capital assets	128,417,015	1,094,217	814,461	481,236	129,178,007

PANOLA COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2010

	Balance Oct. 1, 2009	Additions	Deletions	Adjustments*	Balance Sept. 30, 2010
<u>Less accumulated depreciation for:</u>					
Infrastructure	69,727,311	334,581			70,061,892
Buildings	3,128,624	225,947	45,600	56,000	3,364,971
Improvements other than buildings	358,512	60,353		4,273	423,138
Mobile equipment	2,809,940	358,232	504,373	374,870	3,038,669
Furniture and equipment	656,995	54,097	41,640	103,200	772,652
Leased property under capital leases	2,968,344	490,335	121,374	(1,056,262)	2,281,043
Total accumulated depreciation	79,649,726	1,523,545	712,987	(517,919)	79,942,365
Total depreciable capital assets, net	48,767,289	(429,328)	101,474	999,155	49,235,642
Governmental activities capital assets, net	\$ 51,166,885	483,331	108,074	277,894	51,820,036

Business-type activities:

	Balance Oct. 1, 2009	Additions	Deletions	Adjustments*	Balance Sept. 30, 2010
<u>Depreciable capital assets:</u>					
Buildings	201,428				201,428
Improvements other than buildings	38,069				38,069
Mobile equipment	158,985	122,010	73,947	17,964	225,012
Furniture and equipment	92,496	7,332		(92,497)	7,331
Leased property under capital leases	1,815,318	644,931	474,233	(661,240)	1,324,776
Total depreciable capital assets	2,306,296	774,273	548,180	(735,773)	1,796,616
<u>Less accumulated depreciation for:</u>					
Buildings	32,232	4,029			36,261
Improvements other than buildings	12,184	1,523			13,707
Mobile equipment	124,677	33,258	52,016	(6,579)	99,340
Furniture and equipment	87,059	771		(86,364)	1,466
Leased property under capital leases	1,221,854	234,249	227,604	(706,997)	521,502
Total accumulated depreciation	1,478,006	273,830	279,620	(799,940)	672,276
Total depreciable capital assets, net	828,290	500,443	268,560	64,167	1,124,340
Business-type activities capital assets, net	\$ 828,290	500,443	268,560	64,167	1,124,340

*Adjustments were made to transfer leased property paid-off to mobile equipment, completed construction in progress to infrastructure and to correct prior year errors.

PANOLA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 122,850
Public safety	436,794
Public works	953,046
Health and welfare	10,855
Total governmental activities depreciation expense	\$ 1,523,545
Business-type activities:	
Solid waste	\$ 273,830

Commitments with respect to unfinished capital projects at September 30, 2010, consisted of the following:

Description of Commitment	Remaining Financial Commitment	Expected Date of Completion
Mt. Level Road	\$ 55,006	12/08/2010
Braham Road	50,352	03/01/2011

(10) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2010, to January 1, 2011. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(11) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2010:

Classes of Property	Governmental Activities	Business-type Activities
Mobile equipment	\$ 4,561,444	1,324,776
Less: Accumulated depreciation	2,281,043	521,502
Leased Property Under Capital Leases	\$ 2,280,401	803,274

PANOLA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

The following is a schedule by years of the total payments due as of September 30, 2010:

Year Ending September 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2011	\$ 781,642	61,701	315,148	27,294
2012	600,495	37,659	218,493	16,777
2013	443,122	17,744	160,504	10,297
2014	257,792	6,374	130,476	5,836
2015	38,274	1,213	104,766	1,705
Total	\$ 2,121,325	124,691	929,387	61,909

(12) Short-term Debt and Liquidity.

The following is a summary of short-term debt activity for the year ended September 30, 2010:

Description of Debt	Balance Oct. 1, 2009	Additions	Reductions	Adjustments	Balance Sept. 30, 2010
Tax Anticipation Notes	\$	325,000	325,000		
Total	\$ 0	325,000	325,000	0	0

During the month of October, 2009, the county issued \$325,000 of tax anticipation notes with an interest rate of 2.75% and maturity date of April 1, 2010 in order to alleviate a temporary operating cash flow deficiency.

(13) Long-term Debt.

Debt outstanding as of September 30, 2010, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
1998 Series A refunding bonds	\$ 1,235,000	4.35%	11/2014
Road and bridge bonds	285,000	4.80%	07/2012
2009 Series road and bridge bonds	1,620,000	3.25%	06/2014
GE project bonds	4,000,000	4.00/5.50%	03/2025
Total General Obligation Bonds	\$ 7,140,000		
B. Limited Obligation Bonds:			
Certificates of participation – jail	\$ 4,345,000	4.65%	08/2027

PANOLA COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2010

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
C. Capital Leases:			
Asphalt spreader	\$ 5,749	3.94%	04/2011
2007 GMC pickups/air conditioning system	112,772	4.07%	08/2011
10 Mack trucks, 3 trailers, excavator, etc.	76,174	3.73%	06/2011
7 Fire trucks	207,504	4.67%	08/2012
E911 system, stripper, chipper, truck	121,792	3.84%	04/2012
4 Motor graders	497,171	3.14%	08/2013
9 Mack dump trucks	786,152	3.22%	08/2014
Tractor	53,345	2.52%	06/2013
Hydraulic excavator	179,966	3.17%	08/2015
Backhoe	80,700	3.07%	10/2013
Total Capital Leases	\$ <u>2,121,325</u>		
D. Other Loans:			
2007 General obligation note	\$ <u>335,000</u>	3.82%	06/2012

Business-type Activities:

Capital Leases:			
Trash cans	\$ 24,755	4.07%	08/2011
2 Mack trucks, GMC pickup	47,754	3.73%	06/2011
4 Trucks, equipment, dumpsters	68,250	3.98%	08/2012
2 Mack trucks	80,674	3.97%	10/2012
Truck	105,247	2.52%	07/2013
3 Kenworth trucks; Ford F550	525,608	3.18%	06/2015
Little Kenworth truck	<u>77,099</u>	3.18%	08/2015
Total Capital Leases	\$ <u>929,387</u>		

Annual debt service requirements to maturity for the following debt reported in the Statement of Net Assets are as follows:

Governmental Activities:

Year Ending September 30	General Obligation Bonds		Limited Obligation Bonds	
	Principal	Interest	Principal	Interest
2011	\$ 665,000	403,310	180,000	192,557
2012	690,000	280,394	185,000	185,358
2013	905,000	254,581	195,000	177,957
2014	1,075,000	219,097	200,000	170,158
2015	500,000	179,252	210,000	161,907
2016 – 2020	1,410,000	687,187	1,200,000	667,558
2021 – 2025	1,895,000	268,182	1,480,000	377,777
2026 – 2030			<u>695,000</u>	<u>49,876</u>
Total	\$ <u>7,140,000</u>	<u>2,292,003</u>	<u>4,345,000</u>	<u>1,983,148</u>

Year Ending September 30	Other Loans	
	Principal	Interest
2011	\$ 165,000	12,797
2012	<u>170,000</u>	<u>6,494</u>
Total	\$ <u>335,000</u>	<u>19,291</u>

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the county is

PANOLA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2010, the amount of outstanding debt was equal to 4.29% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2010:

	Balance Oct. 1, 2009	Additions	Reductions	Adjustments*	Balance Sept. 30, 2010	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 141,568	77,086			218,654	
General obligation bonds	3,540,000	4,000,000	400,000		7,140,000	665,000
Limited obligation bonds	4,515,000		170,000		4,345,000	180,000
Capital leases	2,663,082	260,666	802,423		2,121,325	781,642
Other loans	645,000		310,000		335,000	165,000
Total	\$ 11,504,650	4,337,752	1,682,423		14,159,979	1,791,642
Business-type Activities:						
Compensated absences	\$ 10,670	6,532			17,202	
Capital leases	914,641	644,931	531,511	(98,674)	929,387	315,148
Total	\$ 925,311	651,463	531,511	(98,674)	946,589	315,148

*This adjustment is to correct prior year errors in capital leases.

Compensated absences will be paid from the fund from which the employees' salaries were paid which are generally the General Fund, Countywide Road Maintenance Fund, Seasonal Law Enforcement Fund, Narcotics Task Force Fund, Bridge Fund, E911 Fund, Industrial Park Construction Fund and Solid Waste Fund.

(14) Deficit Fund Balances/Net Assets of Individual Funds.

The following funds reported deficits in fund balances/net assets at September 30, 2010:

Fund	Deficit Amount
Seasonal Law Enforcement	\$ (4,251)
Jail Construction Debt	(300,000)
Solid Waste	(3,785)

(15) Contingencies.

Federal Grants - The county has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the county. No provision for any liability that may result has been recognized in the county's financial statements.

Litigation - The county is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the county with respect to the various proceedings. However, the county's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the county.

PANOLA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

(16) Joint Venture.

The county participates in the following joint venture:

Panola County is a participant with the counties of DeSoto, Lafayette, Tate and Tunica in a joint venture, authorized by section 39-3-9, Miss. Code Ann. (1972), to operate the First Regional Library. This joint venture was created to provide library services and is governed by a five-member board, with each county appointing one member. The county appropriated \$312,743 for support of the library in fiscal year 2010. Complete financial statements for the First Regional Library can be obtained from P. O. Box 386, Hernando, Mississippi 38632.

(17) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

North Delta Planning and Development District is composed of the counties of Coahoma, DeSoto, Panola, Quitman, Tallahatchie, Tate and Tunica. The Panola County Board of Supervisors appoints 4 of the 30 members of the board of directors. The county appropriated and made a payment of \$63,500 for support of the district in fiscal year 2010.

The Yazoo-Mississippi Water Management District operates in a district composed of the counties of Bolivar, Carroll, Coahoma, DeSoto, Holmes, Humphreys, Issaquena, Leflore, Panola, Quitman, Sharkey, Sunflower, Tallahatchie, Tate, Tunica, Washington and Yazoo. The Panola County Board of Supervisors appoints 1 of the 21 members of the board of commissioners. The county levied a .61 mill tax which resulted in \$3,043 to help support the district in fiscal year 2010.

Northwest Mississippi Community College operates in a district composed of the counties of Benton, Calhoun, DeSoto, Lafayette, Marshall, Panola, Quitman, Tallahatchie, Tate, Tunica and Yalobusha. The Panola County Board of Supervisors appoints 2 of the 23 members of the college board of trustees. The county appropriated \$449,918 for maintenance and support of the college in fiscal year 2010.

Mid-State Opportunity, Inc. operates in a district composed of the counties of DeSoto, Panola, Quitman, Tallahatchie, Tate and Tunica. The Panola County Board of Supervisors appoints 2 of the 30 board members, with 10 members coming from the business sector and 10 members coming from the minority disadvantaged. The county did not appropriate any funds for support of the agency in fiscal year 2010.

Communicare operates in a district composed of the counties of Calhoun, DeSoto, Lafayette, Marshall, Panola, Tate and Yalobusha. The Panola County Board of Supervisors appoints 1 of the 7 members of the board of commissioners. The county appropriated \$39,000 for support of the agency in fiscal year 2010.

(18) Defined Benefit Pension Plan.

Plan Description. Panola County, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Funding Policy. At September 30, 2010, PERS members were required to contribute 9% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2010 was 12% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2010, 2009 and 2008 were \$680,001, \$685,477 and \$675,252, respectively, equal to the required contributions for each year.

PANOLA COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2010

(19) Subsequent Events.

Subsequent to September 30, 2010, the county issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>		<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
April 11, 2011	3.04%	\$	280,684	Capital lease	Hancock Bank
September 4, 2011	3.27%	\$	36,250	Capital Lease	BancorpSouth
November 15, 2011	2.90%	\$	75,755	Capital Lease	Trustmark Bank

PANOLA COUNTY

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PANOLA COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

PANOLA COUNTY

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PANOLA COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2010

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 6,043,925	6,808,950	6,808,950	
Road and bridge privilege taxes	2,700	2,657	2,657	
Licenses, commissions and other revenue	599,499	593,863	593,863	
Fines and forfeitures	481,000	466,229	466,229	
Intergovernmental revenues	2,416,252	1,552,565	1,552,565	
Charges for services	163,051	456,949	456,949	
Interest income	120,000	61,972	61,972	
Miscellaneous revenues	92,760	308,912	308,912	
Total Revenues	<u>9,919,187</u>	<u>10,252,097</u>	<u>10,252,097</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	4,634,130	4,099,747	4,099,747	
Public safety	4,785,121	4,508,277	4,508,277	
Public works	500,590	72,837	72,837	
Health and welfare	219,238	295,155	295,155	
Conservation of natural resources	101,729	92,845	92,845	
Economic development and assistance	172,000	136,336	136,336	
Debt service:				
Principal		314,798	314,798	
Interest	200,704	202,595	202,595	
Total Expenditures	<u>10,613,512</u>	<u>9,722,590</u>	<u>9,722,590</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(694,325)</u>	<u>529,507</u>	<u>529,507</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets		47,003	47,003	
Transfers in	366,252	70,151	70,151	
Transfers out	(297,000)	(235,729)	(235,729)	
Total Other Financing Sources and Uses	<u>69,252</u>	<u>(118,575)</u>	<u>(118,575)</u>	<u>0</u>
Net Change in Fund Balance	(625,073)	410,932	410,932	
Fund Balances - Beginning	<u>3,554,272</u>	<u>3,762,548</u>	<u>3,762,548</u>	
Fund Balances - Ending	<u>\$ 2,929,199</u>	<u>4,173,480</u>	<u>4,173,480</u>	<u>0</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

PANOLA COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 G E Expansion Fund
 For the Year Ended September 30, 2010

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Interest income	\$	29,549	29,549	
Total Revenues	0	29,549	29,549	0
EXPENDITURES				
Current:				
Economic development and assistance		64,285	64,285	
Total Expenditures	0	64,285	64,285	0
Excess of Revenues over (under) Expenditures	0	(34,736)	(34,736)	0
OTHER FINANCING SOURCES (USES)				
Long-term non-capital debt issued		4,000,000	4,000,000	
Total Other Financing Sources and Uses	0	4,000,000	4,000,000	0
Net Change in Fund Balance		3,965,264	3,965,264	
Fund Balances - Beginning	0			
Fund Balances - Ending	\$ 0	3,965,264	3,965,264	0

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

PANOLA COUNTY
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
Countywide Road Maintenance Fund
For the Year Ended September 30, 2010

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,287,990	1,404,511	1,404,511	
Road and bridge privilege taxes	380,000	385,415	385,415	
Intergovernmental revenues	908,000	764,491	764,491	
Interest income	9,000	15,231	15,231	
Miscellaneous revenues	7,230	77,593	77,593	
Total Revenues	<u>2,592,220</u>	<u>2,647,241</u>	<u>2,647,241</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	2,542,881	2,072,529	2,072,529	
Debt service:				
Principal	211,394	515,895	515,895	
Interest		25,016	25,016	
Total Expenditures	<u>2,754,275</u>	<u>2,613,440</u>	<u>2,613,440</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(162,055)</u>	<u>33,801</u>	<u>33,801</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued		179,966	179,966	
Long-term non-capital debt issued		325,000	325,000	
Proceeds from sale of capital assets		42,775	42,775	
Transfers in		379,133	379,133	
Total Other Financing Sources and Uses		<u>926,874</u>	<u>926,874</u>	<u>0</u>
Net Change in Fund Balance	(162,055)	960,675	960,675	
Fund Balances - Beginning	<u>733,061</u>	<u>676,210</u>	<u>676,210</u>	
Fund Balances - Ending	<u>\$ 571,006</u>	<u>1,636,885</u>	<u>1,636,885</u>	<u>0</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

PANOLA COUNTY

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PANOLA COUNTY

Notes to the Required Supplementary Information For the Year Ended September 30, 2010

A. Budgetary Information.

Statutory requirements dictate how and when the county's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the county, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor-Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

The county's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

C. Budget/GAAP Reconciliation.

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund and each major Special Revenue Fund:

	General Fund	GE Expansion Fund	Countywide Road Maintenance Fund
Budget (Cash Basis)	\$ 410,932	3,965,264	960,675
Increase (Decrease)			
Net adjustments for revenue accruals	(262,706)		(234,151)
Net adjustments for expenditure accruals	(30,401)		(38,294)
GAAP Basis	\$ <u>117,825</u>	<u>3,965,264</u>	<u>688,230</u>

PANOLA COUNTY

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PANOLA COUNTY

SUPPLEMENTAL INFORMATION

PANOLA COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2010

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Commerce / Passed-through the MS Department of Public Safety - Office of Homeland Security Public safety interoperable communications grant program	11.555	07PS313	\$ 2,478
U.S. Department of Defense / Payments to states in lieu of real estate taxes (Direct Award)	12.112	N/A	4,965
U.S. Department of Housing and Urban Development / Passed-through the Mississippi Development Authority Community development block grants / state's program and non-entitlement grants in Hawaii*	14.228	1125-08-054-ED-01	158,442
U.S. Department of Justice / Passed-through the Mississippi Department of Public Safety Edward Byrne memorial justice assistance grant program*	16.738	09NM1541	156,439
U.S. Department of Transportation / Passed-through the Mississippi Department of Transportation ARRA Highway planning and construction*	20.205	BR 0054 32 BO	53,632
Highway planning and construction*	20.205	N/A	36,720
Total U.S. Department of Transportation			90,352
U.S. Department of Homeland Security / Passed-through the Mississippi Emergency Management Agency Disaster grants - public assistance (presidentially declared disasters)	97.036	FEMA-1398-DR-MS	6,451
Disaster grants - public assistance (presidentially declared disasters)	97.036	FEMA-1916-DR-MS	231,704
Subtotal			238,155
U.S. Department of Homeland Security / Passed-through the Mississippi Emergency Management Agency Emergency management performance grants	97.042	10EMP	26,137
U.S. Department of Homeland Security / Passed-through the Mississippi Department of Public Safety - Office of Homeland Security Homeland security grant program	97.067	09CC054	14,893
Total U.S. Department of Homeland Security			517,340
Total Expenditures of Federal Awards			\$ 691,861

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting.

* Denotes major federal award program

PANOLA COUNTY

SPECIAL REPORTS

PANOLA COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE
FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board of Supervisors
Panola County, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Panola County, Mississippi, as of and for the year ended September 30, 2010, which collectively comprise the county's basic financial statements and have issued our report thereon dated April 13, 2012. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles generally accepted in the United States of America to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Panola County, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 10-1, 10-2, 10-3, 10-4, 10-9 and 10-10 to be material weaknesses.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 10-5, 10-6, 10-7, 10-8, 10-11 and 10-12 to be significant deficiencies.

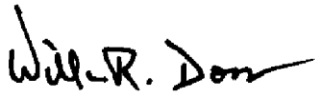
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Panola County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 10-4.

We also noted an immaterial instance of noncompliance that we have reported to the management of Panola County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated April 13, 2012, included within this document.

Panola County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Panola County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Will R. Doss". The signature is written in a cursive, flowing style.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

April 13, 2012



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Members of the Board of Supervisors
Panola County, Mississippi

Compliance

We have audited the compliance of Panola County, Mississippi with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010. Panola County, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Panola County, Mississippi's management. Our responsibility is to express an opinion on Panola County, Mississippi's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Panola County, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Panola County, Mississippi's compliance with those requirements.

In our opinion, Panola County, Mississippi, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010.

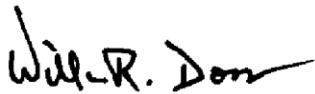
Internal Control Over Compliance

The management of Panola County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Panola County, Mississippi's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over compliance.

A deficiency in a county's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Will R. Doss" with a stylized flourish at the end.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

April 13, 2012



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON CENTRAL PURCHASING SYSTEM,
INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES
(REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))**

Members of the Board of Supervisors
Panola County, Mississippi

We have examined Panola County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2010. The Board of Supervisors of Panola County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Panola County, Mississippi, has established centralized purchasing for all funds of the county and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

In our opinion, Panola County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2010.

The accompanying schedules of (1) Purchases Not Made from the Lowest Bidder, (2) Emergency Purchases and (3) Purchases Made Noncompetitively from a Sole Source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

This report is intended for use in evaluating the central purchasing system and inventory control system of Panola County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Will-R. Doss". The signature is written in a cursive, slightly stylized font.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

April 13, 2012

PANOLA COUNTY

Schedule 1

Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2010

Our test results did not identify any purchases from other than the lowest bidder.

PANOLA COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2010

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
03/31/10	Camera system	\$ 32,484	ESI Co.	Lightning strike damaged the E911 communication system.
04/07/10	Console E911	6,975	Integrated Communication	Lightning strike damaged the E911 communication system.
04/09/10	Computer system at jail and E911	5,395	Complete Computers	Lightning strike damaged the E911 communication system.
04/09/10	Console at E911	60,000	Integrated Communication	Lightning strike damaged the E911 communication system.
05/21/10	16 Channel logger system	8,997	Rhodes, Lauck and Assc.	Lightning strike damaged the E911 communication system.
06/11/10	Equipment rack	46,633	JPS Communications	Lightning strike damaged the E911 communication system.

PANOLA COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2010

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
06/11/10	Equipment rack	\$ 46,633	JPS Communication

PANOLA COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Panola County, Mississippi

In planning and performing our audit of the financial statements of Panola County, Mississippi for the year ended September 30, 2010, we considered Panola County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Panola County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated April 13, 2012, on the financial statements of Panola County, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

The results of our review procedures and compliance tests identified certain areas that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

Board of Supervisors.

1. Finding

Section 25-3-41, Miss. Code Ann. (1972), allows the county to reimburse county officers or employee for expenses incurred while traveling on official business. Such officer or employee shall receive as expenses for each mile actually or necessarily travel, when such travel is done by a privately owned automobile or other privately owned motor vehicle, the mileage reimbursement rate allowable to federal employees for the use of privately owned vehicle while on official travel.

The County did not reimburse county officials in accordance with Section 25-3-41, Miss. Code Ann. (1972). We noted that during the audited fiscal year, the county:

- Reimbursed a county official at a mileage rate greater than the maximum reimbursement allowed.
- Reimbursed a county official for mileage that was not substantiated by the points of destination.

Improper travel reimbursement could result in taxable wages to the county officials.

RECOMMENDATION

The county should only reimburse mileage expense at the allowed rate and as properly documented by date, purpose and points of travel.

Board of Supervisors' Response

The error on the reimbursement was done one time right after the mileage rate had gone down. The official has a log of his miles but it had not been turned in and attached to the reimbursement request. This has been corrected and a list is attached.

Chancery Clerk.

2. Finding

An effective internal control system would include the Chancery Clerk reconciling the land redemption bank account to unsettled releases on a monthly basis. The Chancery Clerk does not reconcile the land redemption account to the unsettled releases. Failure to reconcile the Land Redemption bank account to the unsettled releases could result in insufficient funds to make required settlements.

Recommendation

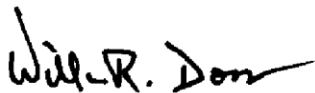
The Chancery Clerk should implement a system that includes reconciling the Land Redemption bank account each month to the unsettled releases.

Chancery Clerk's Response

I have changed the way I prepare my reconciliation to the way that you recommended.

Panola County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

April 13, 2012

PANOLA COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

PANOLA COUNTY

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PANOLA COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2010

Section 1: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued on the financial statements:

Governmental activities	Unqualified
Business-type activities	Unqualified
Aggregate discretely presented component units	Adverse
General Fund	Unqualified
GE Expansion Fund	Unqualified
Countywide Road Maintenance Fund	Unqualified
Solid Waste Fund	Unqualified
Aggregate remaining fund information	Unqualified
2. Internal control over financial reporting:
 - a. Material weaknesses identified? Yes
 - b. Significant deficiencies identified that are not considered to be material weaknesses? Yes
3. Noncompliance material to the financial statements noted? Yes

Federal Awards:

4. Internal control over major programs:
 - a. Material weakness identified? No
 - b. Significant deficiency identified that is not considered to be a material weakness? None Reported
5. Type of auditor's report issued on compliance for major federal programs: Unqualified
6. Any audit finding disclosed that are required to be reported in accordance with Section ____510(a) of OMB Circular A-133? No
7. Federal programs identified as major programs:
 - a. Community development block grants/state's program and non-entitlement grants in Hawaii, CFDA # 14.228
 - b. Edward Byrne memorial justice assistance grant program, CFDA # 16.738
 - c. Highway planning and construction – CFDA # 20.205
 - d. ARRA Highway planning and construction - CFDA # 20.205
8. The dollar threshold used to distinguish between type A and type B programs: \$300,000
9. Auditee qualified as a low-risk auditee? No
10. Prior fiscal year audit finding and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____315(b) of OMB Circular A-133? No

PANOLA COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2010

Section 2: Financial Statement Findings

Board of Supervisors.

Significant Deficiency – Material Weakness

Discretely presented component units should be included in financial statements.

10-1. Finding

Generally accepted accounting principles require the financial data of the county's component units to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting unit that include the financial data for its component units. As reported in the prior three years' audit reports, the financial statements do not include the financial data for the county's component units. The failure to properly follow generally accepted accounting principles resulted in an adverse opinion on the discretely presented component units.

Recommendation

The Board of Supervisors should provide the audited financial data for its discretely presented component units for inclusion in the county's financial statements.

Board of Supervisors' Response

The Board of Supervisors feels this is not a material weakness because the amount is immaterial to our financial statements. It would be cost prohibitive to require the ten Volunteer Fire Departments to have audited financial statements prepared.

Auditor's Note

Due to the absence of audited financial statements for the county's component units, there is no information available to verify that these component units are not material to the county's financial statements.

Significant Deficiency – Material Weakness

Controls over financial statement preparation should be strengthened

10-2. Finding

An effective system of internal control over financial statement preparation and reporting in accordance with generally accepted accounting principles should include all required disclosures in the notes to the financial statements, proper classification of funds, proper posting of transactions and accurate reporting of all debt. We noted the following deficiencies in the financial statement preparation and reporting:

- a. Loans receivable of \$819,500 were not reported in the Aggregate Remaining Fund Information opinion unit. In the Governmental Activities Opinion Unit these loans receivable were misclassified as other receivables. Also, disclosures required by generally accepted accounting principles for loans receivable were not presented in the notes to the financial statements.
- b. In the General Fund and Governmental Activities Opinion Units, charges for services totaling \$313,661 were misclassified as intergovernmental revenues.
- c. Balances and transactions of the Ambulance Fund were reported as an agency fund. This fund does not meet the definition of an agency fund as described in the *Governmental Accounting*,

PANOLA COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2010

Auditing and Financial Reporting as issued in 2005 by the Government Finance Officers Association. Failure to properly classify the Ambulance fund resulted in Aggregate Remaining Fund Information and the Governmental Activities opinion unit revenues being understated \$218,489, expenditures/expenses being understated \$204,000, assets being understated in the amount of \$305,588, liabilities understated \$245,015, and fund balance/net assets understated \$60,573.

- d. Balances and transactions of the Narcotics Task Force Fund, The Unemployment Compensation Fund and the NP Hospital Sale Fund were reported as general funds. These funds do not meet the definition of a general fund as described in the *Governmental Accounting, Auditing and Financial Reporting* as issued in 2005 by the Government Finance Officers Association. Failure to properly classify these funds resulted in the General Fund assets being overstated \$319,895, liabilities were overstated \$11,309, fund balance was overstated \$308,586, revenues were overstated \$164,060, expenditures were overstated \$259,983, other financing sources were overstated \$160,000 and other financing uses were overstated by \$300,000. Also, the Aggregate Remaining Fund Information Opinion Unit's balances and transactions were understated by equivalent amounts.
- e. Mississippi Emergency Management Agency Disaster Grants revenue and expenditures were not posted to the financial statements of the county. As a result, intergovernmental (federal) revenues were understated \$93,043, and expenditures / expenses (federal) were understated \$93,043 in both the Aggregate Remaining Fund Information Opinion Unit and the Governmental Activities Opinion Units. Also, failure to report federal revenues and expenditures in the financial statements could result in the omission of federal expenditures from the Schedule of Expenditures of Federal Awards.
- f. In the Business Activities Opinion Unit and the Enterprise Fund Opinion Unit, errors were noted in the beginning balance of long term capital debt. Failure to properly report long term capital debt balances resulted in capital lease payables being overstated in the amount of \$98,674.

Audit adjustments to correct these errors in the county's financial statements and notes to the financial statements were proposed to management and made to the financial statements with management's approval.

Recommendation

The Board of Supervisors should implement a system of internal control over financial statement preparation and reporting in accordance with generally accepted accounting principles that includes proper classification of funds, proper posting of transactions, accurate reporting of debt balances and all required note disclosures.

PANOLA COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2010

Board of Supervisors' Response

Panola County has contracted with a CPA to prepare our financial statements and most of these were errors of his interpretation of how financial statements should have been.

Significant Deficiency – Material Weakness

Controls over recording capital assets should be strengthened

10-3. Finding

An effective system of internal control over capital assets requires that certain data elements be captured in capital asset records for all capital assets. Required data elements include descriptions of assets, cost, locations, acquisition dates, disposition dates, methods of disposition, and other relevant information. The presence of these data elements in capital asset records help identify and distinguish county assets from one another, thereby safeguarding county assets from loss or misappropriation. This information is also very important to the financial reporting process. Amounts reported in the financial statements should be supported by and reconciled to these capital asset records. Numerous deficiencies were noted in capital assets classifications and amounts reported in the county's financial statements.

In the Governmental Activities Opinion Unit, numerous errors were noted in the capital asset classifications totaling \$2,464,568 as detailed as follows: buildings were understated \$175,125, improvements other than buildings were understated \$106,811, mobile equipment was understated \$1,534,109, furniture and equipment was overstated \$5,062, land was understated \$36,000, leased property under capital leases was overstated \$2,087,008, accumulated depreciation was overstated \$612,523, depreciation expense was overstated \$94,604 and prior period adjustments were understated \$277,894.

In the Business Activities Opinion Unit and the Enterprise Fund Opinion Unit, numerous errors were noted in the capital asset classifications totaling \$817,904 as detailed as follows: mobile equipment was understated \$17,964, furniture and equipment was overstated \$83,803, leased property under capital leases was overstated \$661,240, accumulated depreciation was overstated \$612,523, depreciation expense was overstated \$799,940 and prior period adjustments were understated \$72,891.

Audit adjustments to correct these errors were proposed to management and made to the financial statements with management's approval.

The failure to reconcile capital asset amounts reported in the financial statements to the capital asset records could result in reporting inaccurate amounts.

Recommendation

The Board of Supervisors should ensure that the capital asset amounts reported in the financial statements are supported by and reconciled to the capital asset records maintained by the county.

Board of Supervisors' Response

We feel that Panola County has effective internal control over our capital assets. This error was done by the CPA that had been contracted to prepare our financial statements. The CPA changed the balances he received from the county to equal balances he had received from the prior audits and there was no documentation for the changes that had been made by the prior auditor. We agreed these adjustments need to be made to tie back to the county balances which are documented.

PANOLA COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2010

Significant Deficiency – Material Weakness
Material Noncompliance

Controls over repayment of interfund advances should be strengthened

10-4. Finding

The Mississippi Code is silent regarding the authority of the county to make interfund loans. The County has interfund loans outstanding that are over one year old. As reported in the prior years' audit reports, these loans were made when the county experienced negative cash flows in some funds. However, the loans were not repaid as of September 30, 2010. Failure of the Board of Supervisors to ensure repayment of these loans is an illegal diversion of legally restricted funds.

Recommendation

For any interfund loan made, the Board of Supervisors should approve and record in the board minutes the reason for the loan, when the loan will be repaid and the source of funds for repayment. The Board of Supervisors should ensure these old loans are repaid by approving and recording in the board minutes a repayment schedule and complying with the repayment schedule.

Board of Supervisors' Response

All loans made by Panola County from 2008 have been approved and recorded in the board minutes and the reason for the loan and when they will be repaid. The loans and advances that are recorded in the financial statements were loans that were set up around 1997 and further research will be needed with regard with these loans and advances.

Significant Deficiency

Controls over federal revenues and expenditures should be strengthened.

10-5. Finding

An effective system of internal control over federal grants should include adequate subsidiary records documenting all revenues and expenditures to each federal grant received. The County did not report all federal grant expenditures on the Schedule of Expenditures of Federal Awards for the year ended September 30, 2010. As a result, corrections were proposed by the auditor and made by the county to the Schedule of Expenditures of Federal Awards. The failure to properly complete the Schedule of Expenditures of Federal Awards increases the possibility of reporting incorrect amounts of federal expenditures, as well as the possibility of omitting a federal grant on the Schedule of Federal Awards.

Recommendation

The County should properly maintain adequate subsidiary records documenting all revenues and expenditures relating to each federal grant received.

Board of Supervisors' Response

The Schedule of Expenditures of Federal Awards was prepared by the CPA that was hired to prepare Panola County financial statements. We are now putting all federal grants in a separate fund except FEMA grants. The expenditures for FEMA grants are paid out of the Road Fund at the time of the disaster and the expenditures are not always put on the schedule because they may not be reimbursed with a federal grant. The expenditures that were not on the schedule were for FEMA expenditures.

PANOLA COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2010

Significant Deficiency

Object codes should be consistent for all revenue accounts through-out all funds.

10-6. Finding

An effective internal control system should have consistent object codes through-out all funds of the county. The County's chart-of-accounts does not have consistent object codes through-out all funds of the county. Inconsistent object codes could lead to the incorrect classification of revenues in the financial statements.

Recommendation

The County should implement an accounting system that has consistent object codes through-out all of the funds of the county.

Board of Supervisors' Response

This is the computer system Panola County has used for over 20 years. We will request our computer software company to help with this problem.

Significant Deficiency

Controls over tax levy descriptions should be strengthened.

10-7. Finding

An effective system of internal control over the tax levy should ensure the legal descriptions of the tax levies are included in the board order levying the tax levy. The legal descriptions of the tax levies were omitted from the order levying the taxes. The omission of the legal descriptions of the tax levies led to:

- Not knowing what cities were included in some tax levies.
- Not knowing fire districts.
- Not knowing what districts were state tax only.

The omission of legal descriptions of the tax levies could lead to the improper or unauthorized tax levies.

Recommendation

The legal descriptions of the tax levies should be included in the order levying the tax levy.

Board of Supervisors' Response

A more detailed levy sheet will be prepared that states what cities are included in all tax levies.

Chancery Clerk.

Significant Deficiency

Controls over payroll should be strengthened.

10-8. Finding

An effective internal control system over payroll should ensure deductions are properly withheld and rates of pay are correct.

PANOLA COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2010

During audit testwork it was noted:

- Four instances in which deductions that should have been deducted pre-tax were deducted after tax.
- One part-time employee was paid an incorrect rate of pay. This employee was overpaid \$194.

The lack of internal control over payroll could lead to employees have excess taxes withheld and being over paid.

Recommendation

Internal controls over payroll should be implemented to verify that withholdings are properly withheld and rates of pay are correct.

Chancery Clerk's Response

This has been corrected. The part time employee had been a full time employee and the salary had not been lowered, but has also been corrected.

Chancery Clerk.

Significant Deficiency – Material Weakness

Controls over cash collections in the Chancery Clerk's office should be strengthened.

10-9. Finding

An effective system of internal controls should include an adequate segregation of duties. The cash collection function in the Chancery Clerk's offices was not adequately segregated for effective internal control. The Chancery Clerk receipts cash; prepares deposits slips; takes deposits to the bank; posts to the cash journal and signs the checks. Lack of adequate segregation of duties could result in the loss of public funds.

Recommendation

The Chancery Clerk should take steps to ensure that there is adequate segregation of duties in the collection and disbursement functions in the Chancery Clerk's offices or that there is external oversight over the operations of the Chancery Clerk's offices.

Chancery Clerk's Response

I do prepare the receipts but most of the receipts are for checks or for money that has been wired into the account from the state or federal government. The cash that is receipted is from solid waste collections and that money had first been receipted in that department each day and then deposited in the county account. I prepare the deposit ticket and take that deposit to the bank. I am the person that is responsible for the money of Panola County and I feel the limited number of people that handle the cash more control there is. I do not post receipts to the cash journal, but I am the County Treasurer and required to sign all checks. I do not enter the claims and the checks are issued only after the approval of the Panola County Board of Supervisors. The bank statements are reconciled by another person.

PANOLA COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2010

Tax Collector.

Significant Deficiency – Material Weakness

Controls over cash collections and disbursements in the Tax Collector offices should be strengthened.

10-10. Finding

An effective system of internal controls should include an adequate segregation of duties. The cash collection and disbursement functions in the Tax Collector offices were not adequately segregated for effective internal controls. The Deputy Tax Collector reconciles cash collections and receipts; prepares daily check-up sheets, deposits and monthly settlements; takes deposits to the bank; posts the cash journal; reconciles bank statements; and writes checks for all disbursements.

Recommendation

The Tax Collector should take steps to ensure that there is an adequate segregation of duties in the collection and disbursement functions of the Tax Collector offices or that there is external oversight over the operations of the Tax Collector offices.

Tax Collector's Response

We are doing what the Audit Department has told us to do in the past. Our bookkeeper does not do the day to day transactions at the counter. She reconciles the daily check-up sheets and prepares the deposits and takes the deposit to the bank. She is responsible for the collections after she has verified each drawer and I feel she should be responsible for the deposit to the bank. The monthly settlement is prepared by the computer and the bookkeeper prepares the settlement checks according to these reports. I feel like I do have effective internal controls over the cash collection and disbursement functions in my office.

Circuit Clerk.

Significant Deficiency

Controls over fines receivable aging reports in the Circuit Clerk offices should be strengthened.

10 - 11. Finding

An effective system of internal control over circuit clerk fines receivable should ensure that fines receivable balances are properly aged in order to estimate the collectability of these fines receivable. Internal control procedures were not in place over the aging of circuit clerk fines receivable. Failure to establish control procedures over aging of circuit clerk fines receivable could result in erroneous amounts being reported in the financial statements.

Recommendation

The Circuit Clerk should ensure that control procedures are in place to allow for the preparation of a detailed aged fines receivable schedule for fines receivable to properly report the fines receivable due to the county at net realization value in the financial statements.

Circuit Clerk's Response

I will comply.

PANOLA COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2010

Significant Deficiency

Controls over cash receipts in the Circuit Clerk offices should be strengthened.

10-12. Finding

An effective system of internal controls over the receipting of funds requires a system to ensure transactions are receipted in the correct receipt book and that there is an accounting for missing and voided receipts. Based upon testwork, we noted that civil receipts are often posted to the criminal receipt book and criminal receipts are often posted to the civil receipt book. We also noted that there is no accounting for voided receipts as original copies of voided receipts are not retained. Failure to properly account for voided receipts and to post receipts to the correct receipt books could result in a loss of county funds.

Recommendation

The Circuit Clerk should implement a system of internal controls to ensure that all criminal and civil receipts are posted to their respective books and that the original copy of voided receipts are retained in the receipt book.

Circuit Clerk's Response

I will comply.

Section 3: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to federal awards.